(Washington, DC) – Today, Congressman Tim Ryan (OH-17) joined Congressman Elijah Cummings of Maryland, Congressman Peter DeFazio of Oregon, and nearly 50 other House Members in calling for a full-scale investigation of Goldman Sachs by the Securities and Exchange Commission (SEC).

This week, Goldman Sachs was sued by the SEC for possible securities fraud. The SEC alleges that false and materially misleading statements were made by the firm in creating and marketing ABACUS 2007-AC1, a collateralized debt obligation (CDO) backed by home mortgages; 25 total ABACUS CDOs were created. The letter [*attached*] requests that the SEC pursue investigations into the remaining 24 transactions, evaluate the extent of any receipt of fraudulently-generated AIG-issued credit default swap payments, and vigorously pursue the recovery of payments on behalf of the American taxpayer.

"My constituents share my frustration with the continued bailout of Wall Street conglomerates, whose questionable business practices have brought about the worst economic recession that our nation has seen in 80 years," stated Congressman Ryan. **"While unemployment rates continue to rise and hard-working families struggle to hold onto their homes, Goldman Sachs has been busy creating bad bets on the housing market and selling them at a profit. We can no longer allow this type of corporate arrogance to jeopardize the very livelihood of the American people. N
o longer should Wall Street gambling destroy the middle class.
"**

"We've got to look into every aspect of these deals and figure out exactly what went wrong," said Congressman Cummings, a senior member of the House Committee on Oversight and Government Reform, in an interview with the New York Times on Sunday.

“If people were participating in any type of fraudulent activity we need to expose it and they need to be brought to justice. We need to get our money back.”

# # #

The Honorable Mary Schapiro

Chairwoman

U.S. Securities and Exchange Commission

100 F St. NE

Washington, DC 20549

Dear Chairwoman Schapiro:

Thank you for your continued efforts to restore the role of the Securities and Exchange Commission (SEC), “to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.” The SEC announcement of civil securities fraud charges against Goldman Sachs and Fabrice Tourre is welcome news to both investors and the taxpayers who bailed out Wall Street. The failure of the Bush administration to enforce these laws ultimately undermined the financial markets and contributed to the economic turmoil of the last three years.

As you know, the SEC complaint makes disturbing allegations of fraud against Goldman Sachs. The SEC has alleged that Goldman Sachs enticed investors into long positions in a synthetic collateralized debt obligation (CDO), while unbeknownst to investors the CDO was specifically designed by hedge fund manager John Paulson to generate losses to enhance short positions taken by Paulson. We are grateful that the SEC is seeking a court order for Goldman Sachs “to disgorge all illegal profits that they obtained as a result of their fraudulent misconduct.” The U.S. taxpayer deserves nothing less.

The complaint is based on a single CDO known as ABACUS 2007-AC1. However, the ABACUS 2007-AC1 offering was part of a series of 25 such CDOs, all arranged by Goldman Sachs. It is not beyond the realm of comprehension that the 24 remaining ABACUS transactions included similar materially misleading statements to investors in order to protect Goldman’s internal proprietary bets, or other coveted counterparties like Mr. Paulson.

Seven of the ABACUS CDOs were guaranteed by credit default swaps from the American International Group (AIG). These seven AIG-insured CDOs contributed to billions of dollars in losses at AIG according to the New York Times.

Should any of these transactions be found to include fraudulent conduct, any resulting contractual payments from AIG-issued credit default swaps could be viewed as ill-gotten gains. In light of the U.S. Treasury and Federal Reserve Bank of New York's extensive and unprecedented support of the insurance giant and the $12.9 billion in taxpayer dollars that AIG transferred to Goldman Sachs to settle the bad credit default swaps, it is imperative that the SEC pursue the recovery from Goldman Sachs of any fraudulently obtained AIG payments.

Accordingly, we request that SEC, with all due haste, pursue investigations into the remaining 24 ABACUS transactions for securities fraud, evaluate the extent of any receipt, by Goldman Sachs, of fraudulently-generated AIG-issued credit default swap payments, and vigorously pursue the recovery of such payments on behalf of the U.S. taxpayer. Finally, should this or any subsequent investigation uncover criminal misconduct, we implore you to refer those matters to the Department of Justice for the appropriate prosecution.

Again, we appreciate the enforcement efforts of the SEC, and look forward to monitoring the progression of this landmark case.

Sincerely,

Peter DeFazio	Elijah Cummings
Dennis Cardoza	Stephanie Herseth Sandlin
Joe Baca	Brian Baird
Earl Blumenauer	Lois Capps
Michael Capuano	Christopher Carney
John Conyers	John Dingell
Keith Ellison	Anna Eshoo
Bob Filner	John Garamendi
Alan Grayson	Raul Grijalva
Phil Hare	Martin Heinrich
Maurice Hinchey	Mazie Hirono

Jesse Jackson, Jr. Marcy Kaptur

Dale Kildee Dennis Kucinich

Barbara Lee David Loebsack

Stephen Lynch Betsy Markey

Betty McCollum Michael Michaud

George Miller Brad Miller

Bill Pascrell Chellie Pingree

Steven Rothman Tim Ryan

Linda Sanchez Mark Schauer

Carol Shea-Porter Jackie Speier

Pete Stark Bart Stupak

Betty Sutton Gene Taylor

Bennie Thompson Mike Thompson

John Tierney Dina Titus

Timothy Walz Peter Welch

Lynn Woolsey